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Vienna, 18-20 May 1998

Item 11 of the provisional agenda

TIMELY PAYMENT OF ASSESSED CONTRIBUTIONS

Open-ended discussion group on timely payment of assessed contributions

Report by the Chairman, H. E. Mr. A. Benmoussa, Morocco

Summary

Reports on the work of the discussion group since the resumed eighteenth session of the Industrial Development Board. Proposes measures to encourage payment of arrears and timely payment of assessed contributions.

1. At its resumed eighteenth session, the Industrial Development Board adopted decision IDB.18/Dec.11, in which it decided that the open-ended discussion group on timely payment of assessed contributions should continue its work. In that same decision, the Board decided that the work should continue under the chairmanship of H.E. Mr. A. Benmoussa (Morocco).

2. At the seventh session of the General Conference, in decision GC.7/Dec.10, the Conference noted with concern the very irregular payment pattern by Member States and the consequences that might have on the Organization's ability to meet its commitments. In addition, the Conference requested the intersessional open-ended discussion group on timely payment of assessed contributions to present concrete recommendations in that regard to the Board at its nineteenth session. Furthermore, in resolution GC.7/Res.2, the Conference requested the open-ended discussion group to examine the various options contained in document IDB.18/18 on the collection of unpaid assessed contributions from the United

States Government, as well as any other proposals coming from Member States, and to make concrete recommendations to the Board at its nineteenth session.

3. The discussion group held seven meetings: 12 December 1997 (preparatory meeting), 20 January, 4, 12 and 18 February, 12 March (at the level of regional group chairpersons), 26 March, 6 May (at the regional group level) and 14 May. The report of the chairman is contained in the annex to the present document.

ACTION REQUIRED OF THE BOARD

4. The Board may wish to consider the recommendations contained in the report of the open-ended discussion group and adopt a decision that would enable the Director-General to implement those measures agreed by the Board to ensure timely payment of assessed contributions, as requested in General Conference decision GC.7/Dec.10.

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

Annex

**REPORT BY THE CHAIRMAN OF THE OPEN-ENDED DISCUSSION GROUP ON
TIMELY PAYMENT OF ASSESSED CONTRIBUTIONS**

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Abbreviations

FAO	Food and Agriculture Organization of the United Nations
ICAO	International Civil Aviation Organization
ILO	International Labour Organization
IMO	International Maritime Organization
ITU	International Telecommunication Union
LDC	least developed country
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UPU	Universal Postal Union
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization

Introduction

1. More than many other international organizations, UNIDO, for various reasons, has been experiencing chronic delays in payment and non-payment of assessed contributions from a majority of its Member States.

2. These arrears constitute a serious hindrance to the implementation of mandated activities and furthermore discourage those very few countries who meet their obligations on a regular basis. The practices of delay in payment and of non-payment are in contradiction with the fundamental principle of adherence to the legal obligations of membership in the Organization, notably through fulfilment of the financial obligations towards the Organization.

3. Recognizing that practical solutions to this problem are urgently needed, the policy-making organs of UNIDO had established the discussion group on timely payment of assessed contributions. The mandates of the Group were strengthened considerably by the recent sessions of all the policy-making organs, which requested the Director-General to start implementing the recommendations of the Group as adopted by the Board.

I. BACKGROUND

A. Objectives

4. The discussion group had the following objectives before it:

(a) To propose concrete measures for the settlement of arrears (excluding those of the United States of America);

(b) To propose concrete measures to expedite the payment of assessed contributions;

(c) To examine various options for the recovery of unpaid assessed contributions of the United States.

B. Duration

5. The group will complete its task, unless the Board decides otherwise, by presenting its report to the nineteenth session of the Board in May 1998.

II. SETTLEMENT OF ARREARS

A. Present situation

6. As of 19 January 1998, the total amount of assessed contributions outstanding was \$164,694,298 (in US dollar

equivalent, at an exchange rate of US\$ 1 = AS 2.50),¹ including the United States arrears of \$60,601,458 (tables showing the total amount of assessed contributions listed according to Member States and tables indicating the assessed contributions according to geographical groups are contained in paper No. 2).² Of this amount, \$99 million relates to prior years. But, as of 16 March 1998, the total amount of outstanding assessed contributions (at the March United Nations rate of exchange of US\$ 1 = AS 12.70) had been reduced to \$146,943,146, of which \$96,958,441 relates to prior years.

7. The amount on 19 January could be presented by using various criteria. However, for the purpose of this exercise, the information has been summarized by the following groupings:

Outstanding assessed contributions in US\$ equivalent, as at 19 January 1998
(In millions of US\$)

	Including 1998 assessed contributions		Excluding 1998 assessed contributions (arrears)		Voting rights lost/ total no. of countries
Part A					
		%		%	
List A and List C countries	27.9	16.9	19.2	19.4	58/123
List B countries	110.4	67.0	60.6 (USA)	61.2	0/22
List D countries	25.0	15.2	18.2	18.4	11/19
Other countries	<u>1.4</u>	<u>0.9</u>	<u>1.0</u>	<u>1.0</u>	<u>3/4</u>
TOTAL	164.7	100.0	99.0	100.0	72/168
Part B					
African countries	2.2	1.3	1.8	1.8	26/44
Arab countries	6.2	3.8	4.4	4.4	7/19
Asia and Pacific countries	5.2	3.2	2.4	2.4	7/25
Latin America and Caribbean countries	12.1	7.3	8.8	8.9	16/32
Least developed countries	2.1	1.3	1.8	1.8	28/43

¹According to financial rule 110.7, all UNIDO transactions, in currencies other than United States dollars, shall be recorded at the official accounting rate of exchange between the United States dollar and other currencies established by the United Nations.

²References in the present document to papers No. 2 through 11 refer to informal papers submitted to the discussion group during the course of its work.

B. Proposed solutions

(i) Arrears owed by LDCs

8. The LDCs (43) are experiencing a very critical economic and social situation. The reasons for the non-payment of their assessed contributions are numerous. The most important reason is the scarcity of foreign currency, which does not permit them to fulfil their international obligations. However, it should be noted that despite these difficulties nine LDCs have fully met their financial obligations towards the Organization, while a number of others have made partial payment.

9. While encouraging LDCs in a position to do so to continue to fulfil their financial obligations in convertible currencies, it is proposed that they be allowed to make payment in local currency through payment plans.

- Payment in local currency could be made to the local UNDP office that could utilize that payment and transfer it to UNIDO in United States dollars. It should be noted that UNIDO has occasionally accepted payments in local currencies through UNDP. In such cases, UNDP decides whether to accept local currencies based on its short-term cash requirements, taking into account local conditions. UNDP then remits the equivalent in United States dollars to UNIDO at the United Nations operational rate of exchange in effect at the date of utilization (see annex, letter from the UNDP Treasurer, Mr. Walter Gore).

- Settlement through a payment plan

10. The payment plans, if approved for eligible Member States, would allow the scheduling of arrears, and would result in the liquidation of those arrears over the agreed period of time. Payment plans also include a reaffirmation of Member States to meet their financial obligations. This mechanism has been introduced with some success in other United Nations organizations (FAO, ICAO, ILO, IMO, ITU, UNESCO, UPU, WHO, WIPO and WMO).

11. It should be noted that under the provisions of paragraph 3 (a) of its resolution 49/19B of 23 December 1994, the General Assembly empowered the Secretary-General to accept, at his discretion and after consultation with the Chairman of the Committee on Contributions, a portion of the contributions of Member States for the calendar years 1995, 1996 and 1997 in currencies other than United States dollars and that 11 Member States had availed themselves of that opportunity.

12. Under a payment plan, the eligible Member States among LDCs may choose to pay in local currency,

converted into United States dollars by UNDP, the arrears of assessed contributions.

Model framework for the payment plan

13. The model procedure proposed herein could serve as a reference in the individual negotiations between the applicant Member State and the Organization. Thus, the plan shall include:

(a) A provision by which UNDP is willing to accept the local currency based on the local cash requirements of its field offices;¹

(b) The period for its implementation: The maximum period for the payment plan should not exceed five years;

(c) The annual amount of arrears to be paid (in addition to the annual assessed contribution);

(d) The date and the amount of the first payment;

(e) A provision by which UNDP will transfer the equivalent in convertible currency directly to UNIDO Headquarters;

(f) The reference to the eventual exchange rate gains or losses which would be credited or debited to the Member State concerned (see paper No. 4);

(g) A commitment from the Member State to pay its future assessed contributions in full and on time and in accordance with the financial regulations.

14. It is recalled that voting rights are governed by the respective rules of procedure of the governing bodies, i.e. rule 91 of the General Conference, rule 50 of the Industrial Development Board and rule 42 of the Programme and Budget Committee. When considering applications for the restoration of voting rights, the competent body may regularly take into account the state of payments made under an agreed payment plan.

15. In the case of non-adherence to the agreed payment plan, including the payment of the current year's contribution, the remaining amount owed by the Member State should be considered as arrears, subject to the measures described in paragraph 23 below of the present document.

16. The implementation of these two measures (payment plans in local currency) is expected to lead to more predictable payment patterns and to solve the case of some 34 countries, which owe approximately a total of

¹In this context, the Secretariat should provide the Treasurer of UNDP with a list of countries concerned and amounts likely to be involved.

\$2 million. It is understood that cost effectiveness is a key element in the implementation of those measures.

(ii) Other countries in arrears

17. For the countries of this category, it is proposed that arrears be settled through payment plans as described in paragraph 12 above in United States dollars and Austrian schillings, established as a framework through appropriate negotiations undertaken at the initiative of the interested Member State.

18. It goes without saying that the issue of payment of arrears should be at the top of the agenda of the Director-General and other senior officials during their visits and contacts with the authorities of Member States, in particular with regard to those countries that owe large amounts.

19. Delay in payment of assessed contributions often results from bureaucratic and cumbersome procedures in capitals. It is therefore essential that Permanent Missions accredited to UNIDO should play an active role in the collection of contributions. This problem can be alleviated if the Secretariat reminds those countries six months before the General Conference that there is a risk of losing their voting rights and renews the warning one month before in order to expedite the fulfilment of their financial obligations. The role of the regional groups is also critical in this respect. In an effort to improve relations with the relevant governmental authorities, it is also important that UNIDO should be provided with the "contact persons" in the ministries of finance, foreign affairs or industry.

III. ENSURING TIMELY PAYMENT OF ASSESSED CONTRIBUTIONS

A. Current situation

20. As highlighted in document GC.7/20, the partial or delayed payment by some Member States had placed the Organization in a very serious and unprecedented cash crisis. As of 30 September 1997, the available cash balance was only \$8.5 million, which was hardly sufficient to meet the Organization's requirements for one month (as of 16 March 1998, the cash balance was some \$9 million, excluding the Working Capital Fund). The fully depleted Working Capital Fund made the situation even more alarming. There was thus a high risk of UNIDO becoming insolvent. The situation continues to be critical. Moreover, no funds have been made available so far for the payment of separation indemnities for the staff reduction exercise (\$10.8 million required).

21. The solution to this critical financial problem requires, on the one hand, the recovery of arrears and, on

the other, the establishment of appropriate measures to encourage timely payments and to discourage late payments.

B. Proposed solutions

22. The proposed measures should be brought to the attention of all Member States in the letter from the Director-General aimed at collecting the assessed contributions.

23. Various types of incentive schemes to encourage timely payments are used in other organizations. Incentive schemes distribute incentive points to eligible Member States depending on the timing and amount of payments made during a given year. Interest earned on surplus cash balances could be set aside in a special account as a financial incentive directly linked to the incentive points awarded to an eligible Member State. The corresponding amount could be deducted from future assessed contributions or could be used for purposes specified by the Member State.

24. One incentive mechanism is to use the "S" curve formula, which is used in many United Nations organizations and has the advantage of giving comparatively greater incentive to those Member States paying early in the year, while at the same time giving some incentive to those paying in the second half of the year. The "S" curve is a mathematical formula that allocates incentive points to Member States based on the date of payment and amount paid. The formula is applied to the incentive amount to be shared among Member States (e.g. the incentive amount may be the interest earned under the regular budget in a given year). The formula for calculation of incentive points based on date of payment is described in paper No. 3. It is understood that this incentive should be calculated according to the legal fiscal year presently used in UNIDO (see paper No. 9).

25. Furthermore, early payers may be more favourably considered for UNIDO services, such as procurement and consultancy contracts, as far as the principle of the lowest technically acceptable bid is respected (see para. 28 below). Bearing in mind that decisions reside primarily within regional groups, the timely payment of assessed contributions **could be one of the elements** to be duly taken into consideration by the regional groups when designating their representatives in the Industrial Development Board and the Programme and Budget Committee and nominating their candidates for offices of sessions of the governing bodies.

26. Besides the loss of voting rights in accordance with Article 5 of the Constitution, the Member State that does not respect the provisions of the Constitution with regard

to that Article or of the mutually agreed payment plan and continue to accumulate arrears, should not benefit from the incentives described above.

27. The group should bear in mind that these measures might not be sufficient to eliminate all arrears, especially those of the Member States not represented in Vienna and/or not participating in the work of the governing bodies, especially when no technical cooperation project is being implemented in those countries and when the country is not benefiting from UNIDO services.

28. In conclusion, it is important to emphasize that the measures mentioned in this document appear to be consistent with overall constitutional and financial regulations of UNIDO. However, it would be useful if the governing bodies could adopt a decision on these schemes and corresponding financial regulations and rules, namely: financial rule 4.2(c) (which provides that, at the end of the twelve-month period ... the then remaining balance of any regular budget appropriations retained shall be surrendered within thirty days to the Members in proportion to their assessed contributions financial regulation) and financial rule 109.21 (which requires that contracts shall be awarded to those firms or institutions that have tendered the lowest, technically acceptable proposal).

29. The intersessional working group on proposed amendments to the Financial Regulations of UNIDO would be requested to take such a decision by the governing bodies fully into account.

IV. ARREARS OWED BY THE UNITED STATES

A. Present situation

30. According to General Conference resolution GC.7/Res.2 of 4 December 1997, the open-ended discussion group was requested to "examine the various options contained in document IDB.18/18, as well as any other proposals coming from Member States, and to make concrete recommendations to the Industrial Development Board at its nineteenth session".

31. On 31 December 1996, the United States of America ended its membership in UNIDO. As of 16 March 1998, the United States owed \$60,601,458 (in US dollar equivalent). These arrears remain unpaid despite repeated appeals to the Government of the United States by the General Conference, Industrial Development Board, Programme and Budget Committee as well as the Director-General of UNIDO.

B. Options

32. In document IDB.18/18 of 6 November 1997, the Director-General proposed two kinds of options:

(a) Political options: Contact Group of Member States, enlisting the support of non-governmental organizations and industry groups, purchase and procurement linkages and a debt settlement option;

(b) Legal options: International Court of Justice, arbitration and a suit in a United States judicial forum.

33. Furthermore, in accordance with resolution GC.7/Res.2, other proposals coming from Member States should be examined by the group. The issue of reimbursement of income taxes to United States nationals was considered in the discussion group. The group was of the view that the United States should reimburse the 1995-1996 income taxes and, if necessary, to further discuss the issue at the nineteenth session of the Board (see paper No. 5).

34. In considering the problem of arrears owed by the United States, it is proposed that the group be guided by the following:

(a) The necessary involvement of the United States Permanent Mission to the United Nations (Vienna);

(b) Addressing the issue from the perspective of a possible return of the United States to UNIDO;

(c) That the executive organ of the United States recognizes its obligation towards the Organization and has shown its readiness and willingness to pay as soon as authorized by the legislative branch;

(d) That any measures adopted in this regard should be in full conformity with international law, bearing in mind the procedures acted upon by the General Assembly and other organizations in a similar position;

(e) It is beyond any doubt that all United States arrears to UNIDO are due to be paid in full in conformity with Articles 6.3 and 15.1 of the Constitution. No reduction of the amount owed to UNIDO can be accepted or proposed among the options to be considered for settling those arrears.

35. On the basis of paper No. 10 and after the discussions within the group, it is recommended to focus, for the moment, on the political options. In this regard, the group recognized that maintaining contact with the United

States' authorities is necessary to keep abreast of the actual situation and any other developments. In this context, the idea of establishing a contact group was thoroughly discussed. Since the principle of its establishment is closely interlinked both to its composition and to the modalities of such a mechanism, a final decision in this respect should therefore take place when a comprehensive proposal is submitted by the Director-General to the nineteenth session of the Board. Also in the context of maintaining contact with the United States' authorities, the group was of the opinion that the tax reimbursement agreement should be renewed.

36. The group was also of the view that the Director-General should set up a new communication strategy towards non-governmental organizations and industrial groups in the United States to make them aware of the recent reforms adopted by the Organization as well as of the issue of the arrears owed by the United States.

37. With regard to the legal options, and while the proposals related to "the debt settlement", the "resort to arbitration" and the "filing of a suit in a United States judicial forum" did not meet with support, the possibility of requesting an advisory opinion of the International

Court of Justice was kept as a last alternative, and therefore should be discussed further within the context of the Industrial Development Board.

V. CONCLUSION

38. The group is invited to consider that the mandate entrusted to it is part of the UNIDO reform process, as the timely payment of assessed contributions and the subsequent restoration of voting rights are critical for the preservation of efficiency and universality, while strengthening legality within the Organization.

39. After the group's recommendations have been adopted by the Board at its nineteenth session (18-20 May 1998), the Director-General should start their implementation, with due regard for their cost-effectiveness. This should include the publicizing of the recommendations and entering into negotiation with interested Member States. The Director-General should also report on a regular basis to the policy-making organs and to the General Committee of the General Conference on the progress achieved on the settlement of arrears and of the timely payment of assessed contributions.

Annex

Letter from Walter Gore, Treasurer, UNDP

United Nations Development Programme
Sustainable human development

UNDP

24 December 1997

Dear Mr. Ambassador,

Re: Timely Payment of Assessed Contributions to UNIDO

Thank you for your updated letter received by fax on 22 December 1997, regarding the subject and UNDP's possible assistance in that regard.

I am pleased to advise you that UNDP does indeed have standard procedure by which it may offer UN agencies the opportunity to make use of UNDP's local presence in various countries by accepting local currency contributions in favour of the agencies into UNDP bank accounts. This offer, however, must be tempered by UNDP's need for the currencies involved.

Thus, UNDP would be prepared to receive local currency assessed contributions on behalf of UNIDO from UNIDO member governments, but with the proviso that UNDP will only provide US dollar credit to UNIDO at such time that UNDP has actually utilized the funds received. The credit would then be provided at the UN operational rate of exchange in effect at the date of utilization. This condition is essential to UNDP to ensure that UNDP will not suffer any devaluation losses as a result of our accepting such currencies. In most instances, the currency is used fairly quickly, but in all cases UNDP funds, irrespective of when received, are always considered to be used before funds received for other agencies. The utilization of all other funds is considered in the order in which received.

If you are able to provide me with a list of the countries and amounts likely to be involved, my office will provide you with an estimate of UNDP's ability to use those amounts, based on current conditions, as an indication for your review.

Please accept my best wishes for the holiday season.

Sincerely yours,

Walter Gore
Treasurer



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TIMELY PAYMENT OF ASSESSED CONTRIBUTIONS

Open-ended discussion group on timely payment of assessed contributions

Chairman, H.E. Mr. A. Benmoussa, Morocco

Corrigendum

Page 1

Title, line 3: *delete* Report by the

Paragraph 3, penultimate line: *for* chairman *read* group

Page 2, title, line 1

Delete BY THE CHAIRMAN

Page 4

Paragraph 11, line 1: *for* It *read* As a background information it

Paragraph 14, penultimate line: *for* may *read* should

Paragraph 15, penultimate line: *for* paragraph 23 *read* paragraph 26

Page 6, paragraph 28, line 7

For financial rule 4.2(c) *read* financial regulation 4.2(c)

Page 7, paragraph 36, lines 1 and 2

For The group was also of the view that the Director-General should set up *read* The group also discussed the possibility of the Director-General setting up



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TIMELY PAYMENT OF ASSESSED CONTRIBUTIONS

Financial situation of UNIDO

Report by the Director-General

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Introduction

1. At the time of the seventh session of the General Conference, the Organization faced a very serious financial crisis as a result of significant unpaid assessed contributions, low cash balances and the imminent introduction of the staff separation programme mandated by Member States to achieve budget reductions of 20 per cent in 1998-1999. Decisive action was required to ensure that the Organization remained financially viable.

2. Subsequent to the General Conference, the newly-appointed Director-General immediately introduced stringent cash control measures to reduce operating expenditures and limit the costs of the staff separation programme. These measures, together with the positive response by some Member States to the call for early payment of assessed contributions during the first quarter of 1998, have ensured that the current regular budget and working capital cash balances of the Organization are at relatively satisfactory levels.

3. The continued support of Member States through the timely payment of assessed contributions in full will permit the Organization to implement its programmes in line with the Business Plan and programme and budgets, 1998-1999.

I. REGULAR BUDGET ASSESSED CONTRIBUTIONS

4. The status of assessed contributions to the regular budget as at 31 March 1998 is shown in the annex to the present document. Total outstanding contributions amounted to \$128,897,584 (at an exchange rate of US\$ 1 = AS 12.70), which comprises unpaid 1998 assessed contributions of \$32,170,451 and arrears for the period 1986 to 1997 of \$96,727,133, including the arrears of the United States of America of \$60.25 million.

5. As at 31 March 1998, the collection rate for the 1998 assessed contributions was 50.96 per cent. This compares favourably with, and indeed significantly surpasses, the collection rates for the same periods in 1997 and 1996 of 36.15 and 41.64 per cent, respectively. A total of 22 Member States, including two least developed countries, have made full payment of their 1998 assessed contributions. In addition, nine Member States have made partial payments of their 1998 contributions.

6. In accordance with Article 5.2 of the Constitution and financial regulation 5.5(b), as of 31 March 1998, the voting rights of 68 Member States were suspended owing to arrears in payment of assessed contributions, as shown in the annex to the present document. Included in that group are eight members of the Board and five members of the Programme and Budget Committee.

7. In view of the delays in payment and non-payment of assessed contributions, which constitute a serious hindrance to the implementation of mandated activities, the General Conference in decision GC.7/Dec.10 requested the open-ended discussion group on timely payment of assessed contributions to present concrete recommendations to the Board at its nineteenth session. The Conference also requested the group to examine various options for the recovery of unpaid assessed contributions of the United States of America and to make concrete recommendations to the Board (GC.7/Res.2). The report of the open-ended discussion group is contained in document IDB.19/12.

8. An updated status report as at 15 May 1998 will be issued as a conference room paper.

II. STATUS OF THE WORKING CAPITAL FUND

9. The approved level of the Working Capital Fund was set at \$6,610,000 by the General Conference in decision GC.7/Dec.12. Unpaid advances to the Fund as at 31 March 1998 amounted to \$51,281.

10. The Working Capital Fund is a vital source of cash to meet the Organization's financial commitments when there is insufficient income from assessed contributions due to delays in payment by Member States. This is a particularly important source of funding given that the Organization has no authority to borrow funds from external sources.

11. As a result of the action taken since the General Conference, the Director-General was able, in February 1998, to replenish the Fund to its established level. For the first time since November 1995, the Fund balance is matched by cash resources.

III. CASH FLOW

12. Member States may recall that during the last quarter of 1997, the partial, delayed or non-payment of assessed contributions by some Member States had placed the Organization in a very serious and unprecedented cash crisis. The available cash was barely sufficient to meet the Organization's requirements for one month, and the depleted Working Capital Fund made the situation even more critical. A last-minute payment by a major Member State, however, averted the crisis, but did not solve the problems of a possible future cash-flow crisis.

13. As referred to in the introduction, the Director-General, on assuming office, took immediate action to resolve the financial crisis facing the Organization,

particularly through the introduction of cost control measures to reduce financial outflows.

14. Measures taken by the Director-General, as described in the administrative instructions issued during the first quarter of 1998, resulted in lower-than-budgeted cash outflows on all budgetary expenditure items. The outstanding obligations for 1997 have been subject to close scrutiny with a view to ensuring that, wherever possible, financial commitments made in 1997 were reduced or cancelled. As a further measure to preserve cash resources, the distribution of the cash surplus for the biennium 1992-1993 of \$1.2 million was deferred.

15. The combination of these measures, together with the positive trend in the payment of assessed contributions by Member States, has led to a situation where the regular budget and Working Capital Fund cash balances as at 31 March 1998 amount to \$27.1 million. This compares favourably with \$18 million at the same time in 1997.

16. The cash flow under the UNIDO general fund (regular budget and Working Capital Fund) for the first quarter of 1998 is presented in table 1.

Table 1

Cash flow—first quarter, 1998
(In millions of dollars)

Opening balance— 1 January 1998		13.5	
Receipts			
Assessed contributions			
- 1997 or prior years	1.9		
- 1998	<u>33.0</u>	34.9	
Other income	<u>1.8</u>	<u>36.7</u>	
Disbursements			
Regular budget	11.0		
Separation indemnity	8.3		
1997 obligations	4.9		
Movement in receivables/payables	(1.1)	<u>23.1</u>	
Cash balance— 31 March 1998		27.1	

IV. FINANCING OF THE STAFF SEPARATION PROGRAMME

17. In authorizing budgetary funding for the staff separation programme, the General Conference, in its decision GC.7/Dec.17, decided to suspend financial regulations 4.2(b) and 4.2(c) with respect to the unutilized balance of appropriations for the 1994-1995 biennium, in the amount of \$13.9 million. The Conference also urged Member States to provide additional cash resources required to finance the staff separation programme: (a) by voluntary contributions from Member States on the understanding that contributions for 1998 for the budget and staff separation reserve would not exceed 1997 assessed contribution levels; (b) by advances to the Organization, on the understanding that those advances would be repaid as and when the arrears of assessed contributions are paid, or deducted from future contributions.

18. During the period December 1997 to March 1998, collections against 1994-1995 assessed contributions amounted to \$2,869,740. The response by Member States to the appeal by the General Conference to provide additional cash resources for the staff separation programme, however, has been disappointing. As at 31 March 1998, one Member State made a loan of \$149,000, which must be repaid by 30 September 1998. Two other Member States advanced part of their 1999 assessed contributions, amounting to \$119,000.

19. Information on the staff separation programme is contained in document IDB.19/9. The cost of the voluntary staff separation programme is estimated to be \$10.8 million to be paid during 1998. As at 31 March 1998, a total amount of \$8.3 million was disbursed/committed for this purpose. Table 2 shows the sources of financing the voluntary staff separation.

Table 2

Sources of financing voluntary separation
(In millions of dollars at US\$ 1 = AS 12.90)

(i)	Income from payment of the 1994-1995 outstanding contributions (since December 1997)	2.9
(ii)	Previous balance of staff separation indemnity reserve (1996)	1.9
(iii)	Cash surplus from the 1992-1993	1.2
(iv)	Uncommitted cash balance carried over from 1997	2.3
	Total	8.3

V. REGULAR BUDGET EXPENDITURE

20. The cost control measures introduced, subsequent to the General Conference, to resolve the cash crisis and place the Organization on a sound financial footing have delayed the financial implementation of the programme and budgets, 1998-1999. The delays in the commitment of budgetary resources also resulted from the inevitable disruption to programme implementation of staff separations and organizational restructuring, which took place during the first quarter of 1998.

21. Table 3 shows expenditure (disbursements and obligations) for the period 1 January to 31 March 1998, as compared to the approved budget (gross) for 1998.

Comparable information is given for implementation in the first year of the 1996-1997 biennium.

22. The rate of financial implementation is expected to accelerate as assessed contributions are received and programme activities (particularly those related to the Regular Programme of Technical Cooperation and the Industrial Development Decade for Africa) come on stream.

VI. ACTION REQUIRED OF THE BOARD

23. The Board may wish to take note of the information contained in the present document.

Table 3

Regular budget expenditure (In millions of dollars)

	1998	1996 (contingency plan)
Regular budget (gross)—total year	79.1	92.1
Expenditure (disbursements/obligations)—first quarter	13.2	26.9
Percentage implementation—first quarter	16.7%	29.3%

Annex

STATUS OF ASSESSED CONTRIBUTIONS TO THE UNIDO REGULAR BUDGET

As at 31 March 1998

	Outstanding contributions (In equiv. US dollars) (at RoE: 12.70) ¹	Year(s) outstanding	Status of voting rights ²
Afghanistan	56,963	1992(P)-1998	NO
Albania	65,624	1992(P)-1998	NO
Algeria	413,861	1996(P)-1998	
Angola	5,279	1998(P)	
Argentina	1,804,687	1995(P)-1998	NO
Armenia	750,373	1992-1998	NO
Austria	412,896	1998(P)	
Azerbaijan	1,111,074	1993-1998	NO
Bahamas	36,074	1997(P)-1998	
Bahrain	-		
Bangladesh	5,276	1998(P)	
Barbados	6,547	1998(P)	
Belarus	1,418,652	1995(P)-1998	NO
Belgium	-		
Belize	6,416	1998	
Benin	5,782	1998	
Bhutan	24,087	1995(P)-1998	NO
Bolivia	67,895	1991(P)-1998	NO
Bosnia and Herzegovina	202,157	1992-1998	NO
Botswana	6,415	1998	
Brazil	6,965,039	1995(P)-1998	NO
Bulgaria	71,479	1998	
Burkina Faso	80,241	1990(P)-1998	NO
Burundi	50,150	1993(P)-1998	NO
Cambodia	29,858	1995(P)-1998	NO
Cameroon	2,546	1998	
Cape Verde	74,348	1991(P)-1998	NO
Central African Republic	90,323	1989(P)-1998	NO
Chad	74,635	1991-1998	NO
Chile	159,738	1996(P)-1998	
China	688,750	1998	
Colombia	64,012	1998	
Comoros	110,327	1986-1998	NO
Congo	84,991	1989(P)-1998	NO
Costa Rica	73,081	1991(P)-1998	NO
Côte d'Ivoire	6,548	1998	
Croatia	450,401	1995(P)-1998	NO
Cuba	263,376	1995(P)-1998	NO
Cyprus	25,916	1998	
Czech Republic	-		
Democratic People's Republic of Korea	345,189	1992(P)-1998	NO
Democratic Republic of the Congo	84,155	1989(P)-1998	NO
Denmark	-		
Djibouti	74,369	1991(P)-1998	NO
Dominica	63,604	1992(P)-1998	NO
Dominican Republic	242,685	1986-1998	NO

	Outstanding contributions (In equiv. US dollars) (at RoE: 12.70) ¹	Year(s) outstanding	Status of voting rights ²
Ecuador	100.395	1995(P)-1998	NO
Egypt	71.019	1998	
El Salvador	98.747	1988-1998	NO
Equatorial Guinea	110.327	1986-1998	NO
Eritrea	21.424	1996(P)-1998	
Ethiopia	6.406	1998	
Fiji	12.415	1997(P)-1998	
Finland	569.839	1998	
France	5.881.383	1998	
Gabon	44.257	1995(P)-1998	NO
Gambia	66.761	1991(P)-1998	NO
Georgia	1,289.467	1992-1998	NO
Germany	4,188.759	1998(P)	
Ghana	13.366	1997(P)-1998	
Greece	-		
Grenada	85.709	1989(P)-1998	NO
Guatemala	174.239	1990(P)-1998	NO
Guinea	43.074	1994(P)-1998	NO
Guinea-Bissau	95.048	1988(P)-1998	NO
Guyana	5.294	1998	
Haiti	6.227	1998	
Honduras	67.771	1991(P)-1998	NO
Hungary	-		
India	135.430	1998(P)	
Indonesia	129.422	1998	
Iran (Islamic Republic of)	1,285.760	1996(P)-1998	
Iraq	1,129.621	1990(P)-1998	NO
Ireland	-		
Israel	-		
Italy	4.826.239	1998	
Jamaica	6.547	1998(P)	
Japan	-		
Jordan	6.424	1998	
Kazakhstan	327.738	1997-1998	
Kenya	23.597	1995(P)-1998	NO
Kuwait	174.307	1998	
Kyrgyzstan	294.085	1993-1998	NO
Lao People's Democratic Republic	-		
Lebanon	6.548	1998	
Lesotho	6.548	1998	
Liberia	83.131	1990-1998	NO
Libyan Arab Jamahiriya	791.137	1995(P)-1998	NO
Lithuania	597.293	1994(P)-1998	NO
Luxembourg	64.668	1998	
Madagascar	13.999	1997(P)-1998	
Malawi	20.448	1996(P)-1998	
Malaysia	131.212	1998	
Maldives	22.075	1996-1998	NO
Mali	43.550	1994(P)-1998	NO
Malta	-		
Mauritania	92.552	1988(P)-1998	NO
Mauritius	6.548	1998	

	Outstanding contributions (In equiv. US dollars) (at RoE: 12.70) ¹	Year(s) outstanding	Status of voting rights ²
Mexico	677,799	1998	
Mongolia	-		
Morocco	25,790	1998	
Mozambique	-		
Myanmar	6,548	1998	
Namibia	6,412	1998	
Nepal	18,869	1996(P)-1998	
Netherlands	-		
New Zealand	-		
Nicaragua	110,327	1986-1998	NO
Niger	74,379	1991(P)-1998	NO
Nigeria	216,378	1997(P)-1998	
Norway	1,215	1998(P)	
Oman	38,867	1998	
Pakistan	52,376	1998	
Panama	20,575	1996(P)-1998	
Papua New Guinea	14,331	1997-1998	
Paraguay	6,548	1998	
Peru	167,422	1996(P)-1998	
Philippines	114,598	1997-1998	
Poland	-		
Portugal	262,426	1998	
Qatar	83,942	1997(P)-1998	
Republic of Korea	760,768	1998	
Republic of Moldova	684,068	1993(P)-1998	NO
Romania	137,487	1998(P)	
Russian Federation	9,392,260	1996(P)-1998	
Rwanda	54,242	1993(P)-1998	NO
Saint Kitts and Nevis	32,648	1995(P)-1998	NO
Saint Lucia	1,781	1998(P)	
Saint Vincent and the Grenadines	89,851	1989(P)-1998	NO
Sao Tome and Principe	110,327	1986-1998	NO
Saudi Arabia	2,513,279	1995(P)-1998	NO
Senegal	385	1998	
Seychelles	62,235	1992(P)-1998	NO
Sierra Leone	75,746	1990(P)-1998	NO
Slovakia	-		
Slovenia	143,613	1997-1998	
Somalia	110,327	1986-1998	NO
Spain	-		
Sri Lanka	5,342	1998	
Sudan	6,329	1998	
Suriname	21,683	1996(P)-1998	
Swaziland	-		
Sweden	1,125,463	1998	
Switzerland	-		
Syrian Arab Republic	59,442	1997(P)-1998	
Tajikistan	232,421	1993-1998	NO
Thailand	116,385	1998	
The former Yugoslav Republic of Macedonia	45,690	1995(P)-1998	NO
Togo	55,590	1993(P)-1998	NO
Tonga	-		

	Outstanding contributions (In equiv. US dollars) (at RoE: 12.70) ¹	Year(s) outstanding	Status of voting rights ²
Trinidad and Tobago	61,057	1996(P)-1998	
Tunisia	28,473	1997(P)-1998	
Turkey	354,196	1998	
Turkmenistan	140,375	1995-1998	NO
Uganda	38,167	1994(P)-1998	NO
Ukraine	7,501,518	1994(P)-1998	NO
United Arab Emirates	415,148	1996(P)-1998	
United Kingdom of Great Britain and and Northern Ireland	-		
United Republic of Tanzania	58,172	1992(P)-1998	NO
Uruguay	96,116	1996(P)-1998	
Uzbekistan	411,988	1996(P)-1998	
Vanuatu	60,817	1992(P)-1998	NO
Venezuela	143,295	1998	
Viet Nam	14,331	1997-1998	
Yemen	79,737	1991(P)-1998	NO
Yugoslavia ³	1,718,604	1990(P)-1998	NO
Zambia	35,742	1994(P)-1998	NO
Zimbabwe	6,548	1998	
Subtotal (168 Member States)	68,647,073		
United States of America ⁴	60,250,511	1994(P)-1996	
Total	128,897,584		

**Summary of
outstanding contributions by year:**

	Dollars	Schillings	Total dollar equivalent (at RoE: 12.70)
1986	45,081		45,081
1987	47,561		47,561
1988	74,584		74,584
1989	102,572		102,572
1990	499,191		499,191
1991	760,201		760,201
1992	1,022,527		1,022,527
1993	1,472,822		1,472,822
1994	10,062,748		10,062,748
1995	37,103,349		37,103,349
1996	3,876,338	366,703,565	32,750,630
1997	1,513,316	143,161,482	12,785,867
1998	5,726,258	335,841,139	32,170,451
Total	62,306,548	845,706,186	128,897,584

Notes:

(P) Partial payment

1. RoE—Rate of Exchange: According to financial rule 110.7, all UNIDO transactions, incurrences other than United States dollars, shall be recorded at the official rate of exchange established by the United Nations between the dollar and other currencies.
2. The voting rights of 68 Member States have been suspended.
3. In accordance with General Conference resolution GC/S.1/Res.1, the Federal Republic of Yugoslavia (Serbia and Montenegro) cannot continue automatically the membership of the former Socialist Federal Republic of Yugoslavia in UNIDO.
4. Member State of UNIDO until 31 December 1996.



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TIMELY PAYMENT OF ASSESSED CONTRIBUTIONS

Establishment of a contact group of Member States

Proposal by the Director General

1. In the report of the Chairman of the open-ended discussion group on timely payment of assessed contributions (IDB.19/12, para. 35), it is stated that members of the Group "recognized that maintaining contact with the United States' authorities is necessary to keep abreast of the actual situation and any other developments. In this context, the idea of establishing a contact group was thoroughly discussed. Since the principle of its establishment is closely interlinked both to its composition and to the modalities of such a mechanism, a final decision in this respect should therefore take place when a comprehensive proposal is submitted by the Director-General to the nineteenth session of the Board."

2. The Director-General fully appreciates the work done and the efforts made by the open-ended discussion group on timely payment of assessed contributions and takes note of the views expressed on the subject of establishing a contact group.

3. The Director-General is also of the opinion that, as already recognized by the open-ended discussion group itself, such a contact group should be one of several

elements of a multi-pronged approach to the issue of recovery of arrears. Its activities would thus complement those of the Secretariat in a coordinated fashion.

4. In fulfilling his mandate and exercising his executive responsibilities, the Director-General intends to take appropriate steps to secure the payment of unpaid assessed United States contributions to UNIDO within the broader context of reviving the interest of the United States in the Organization, and eventually, bringing the United States back to UNIDO as a Member State or, at the very least, as an observer. While the short-term objective is clearly the collection of arrears, the long-term goal is the return of the USA to the fold of the Organization.

5. In this regard, the acknowledgment by the executive branch of the United States Government of its obligation towards the Organization and its readiness and willingness to pay as soon as authorized to do so by the legislative branch is especially significant.

6. The contact group, if thus established, would provide a forum for continuing dialogue between the Member States of UNIDO and the United States

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Government, in particular through the participation and the active involvement of the United States Permanent Mission in Vienna.

7. In close consultation with the Director-General, the contact group would report to the Industrial Development Board and to the General Conference on progress made towards the recovery of unpaid assessed United States contributions.

8. With respect to the composition of the contact group, the Board may wish to consider establishing it on the basis of an extended geographical representation, but limited in size to a pre-determined number of participants. The Chairman of the group would be selected by the group itself.

9. While not formally a member of the contact group, the United States Permanent Mission in Vienna should be invited to participate in meetings of the group.

10. The Presidents of the General Conference and the Industrial Development Board and the Chairman of the Programme and Budget Committee could attend any of the sessions of such a contact group.

11. The contact group should endeavour to reach consensus on all its reports and recommendations.

12. Being an intersessional group, the contact group is expected to meet between formal sessions of the policy-making bodies of UNIDO. The contact group itself would set the frequency and duration of its meetings.

ACTION REQUIRED OF THE BOARD

13. The Board may wish to consider the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of document IDB.19/14;

"(b) Requests the Director-General to pursue efforts to collect payment of unpaid United States assessed contributions to UNIDO and to renew the interest of the United States in the Organization;

"(c) Decides to establish a contact group whose composition, in accordance with paragraph 8 of the present document, is as follows: [to be inserted];

"(d) Also requests the contact group to operate in close consultation and coordination with the Director-General in defining ways and means of achieving its goals."